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C O N F I D E N T I A L SECTION 01 OF 02 ABIDJAN 000274

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TAGS: [ECON](#) [EAID](#) [IMF](#) [IBRD](#) [PGOV](#) [PREL](#) [IV](#)

SUBJECT: RESIDENT IMF, WORLD BANK HEADS DISCUSS EARLY HIPC  
DECISION POINT, NEW WB COUNTRY DIRECTOR, FINANCING OF  
ELECTIONS

REF: A. 04/16 CLASSIFIED MASSINGA/NESBITT/PLUMB EMAIL ON  
SAGEM FINANCING

[1](#)B. ABIDJAN 166

Classified By: EconChief EMassinga, Reasons 1.4 (b,d)

[1](#)1. (C) Summary. In an April 18 meeting, IMF ResRep  
Phillipe Eugume defended the notion of an early HIPC Decision  
Point, noting Cote d'Ivoire's heavy indebtedness and already  
negative cash position with the IFIs, but acknowledged  
substantial shareholder reluctance to proceed with such a  
course of action at this point. Acting World Bank Country  
Manager Daniel Sellen floated the notional idea of using some  
portion of the World Bank's Post Conflict Assistance Fund to  
mitigate the impact of food price hikes on poor Ivoirians,  
but provided no details. End Summary.

IMF Favors Early HIPC Decision Point

[1](#)2. (C) IMF Resident Representative Eugume and World Bank  
Acting Country Manager Sellen met with Econoff on April 18,  
and discussed, inter alia, the Fund and Bank staff's plans  
for an early HIPC Decision Point, Cote d'Ivoire's fiscal  
performance since IFI reengagement over the past year, the  
nomination of a new World Bank Country Representative and the  
suddenly politically important food security issue. With  
regard to an "early" HIPC Decision Point, Eugume had in mind  
the late 2008-early 2009 timeframe, and argued in favor of  
the idea based on the ratio of indebtedness to exports.  
Pressed, Eugume admitted that calculations of Cote  
d'Ivoire's indebtedness/export ratio are all over the  
map and could show the country breaching the threshold  
either in early or late 2009. Moreover, Eugume acknowledged  
that the IFIs have heard misgivings from larger shareholders  
about what would effectively be an early Decision Point, made  
in the context of weak-to-mediocre performance under current  
assistance and budget support programs. These include the  
IMF's USD 120 million Emergency Post Conflict Assistance  
package, the World Bank's USD 120 million Post Conflict  
Assistance Program (PCAP) and the Bank's April 2008 USD 308  
million arrears clearance/budget support program.

[1](#)3. (C) Eugume offered an impassioned defense of progress  
made in improving GoCI transparency (published budget  
figures, recently published oil/gas audits), and noted the  
high debt/GDP ratio of 80 percent and overall indebtedness of  
USD 6 billion as justification for the need for eventual HIPC

treatment. Eugume added that Cote d'Ivoire is already in a negative cash position with the IFIs; its fiscal situation is very tight and getting tighter daily. Econoff said that IFI staffs would have to make a compelling case with the shareholders to achieve the objective of an early Decision Point, noting that the USG had concerns about the idea. (Note: German DCM later told Econoff that Berlin, too, has strong reservations about an early Decision Point, as do most members of the European Union. End Note).

¶4. (SBU) Sellen and Eugume said the Poverty Reduction Strategy Paper (PRSP) drafting process is underway, and the document, the result of extensive collaboration with civil society and government institutions to define how debt relief would be used, is expected to be complete by September, 2008 (Note: Minister of Planning Bouabre, lead on the PSRP process, later told Ambassador that the draft would be complete by the end of June. End Note). Econoff just received a draft copy April 22, while the World Bank staff, the EU and others have already provided comments.

Government Making Progress on Transparency Issues, But not on Post Conflict Assistance Program

¶5. (SBU) On oil/gas, Eugume said the Cote d'Ivoire Extractive Industries Transparency Initiative (EITI) reports on 2006 and 2007 production and revenue should be done in September and December 2008 respectively, and that their completion should reassure shareholders of Cote d'Ivoire's progress in transparency. The IMF rep acknowledged, however, that the local EITI committee has yet to choose a contractor to prepare the report(s), which could put the September publication date in question.

¶6. (C) Sellen acknowledged the \$120 million PCAP program

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has been a disaster.<sup>8</sup> He openly questioned whether 1) any money (aside from USD 5 million in quick-impact road reconstruction financing) could be disbursed in 2008, and 2) the program could be salvaged at all. IMF representative Eugume pressed for the Bank to consider reformulating the conditions of the PCAP, since the macroeconomic support implied by the PCAP is already part of IMF's fiscal year 2008 calculations, and failure to access \$45 million this year would put a hole in an already shaky budget situation.

New World Bank Country Representative for Cote d'Ivoire

¶7. (C) Both Sellen and Eugume agreed that the Bank needs a leader at the helm of its Ivoirian operation sooner rather than later, given the size of its current portfolio of programs and budget support (more than USD 500 million). Sellen said the Bank has informally decided (subject to confirmation) to assign Mr. Madani Tall, a Malian and currently the Country Representative for the Senegal group of countries based in Dakar.

SAGEM Contract and the 2008 Budget

¶8. (C) Sellen and Eugume confirmed that the Ministry of Finance effectively used IMF budget support to finance a portion of the recent contract with French company SAGEM, which will produce voter and national identification cards for the November 30 presidential elections. The 2008 budget included 25 billion CFA (USD 60 million) for the national identification process, and the Cote d'Ivoire government pulled together another 15 billion CFA (USD 36 million) from other accounts to top off its 2008 payments to SAGEM. Both Sellen and Eugume averred that IMF assent was needed and provided. Eugume and Sellen, along with other European diplomats, confirm that France was requested to provide the outstanding USD 40 million needed to cover the last portion of the USD 160 million SAGEM budget not being financed by the Ivoirian Treasury; European diplomats indicate that among EU countries, there have been no takers of France's offer to share this cost.

## Preoccupation with the Impact of Higher Food Prices Worldwide

19. (C) Conversation turned to the sharp rise in worldwide food prices worldwide and resultant preoccupation about the impact of this development in IMF and WB headquarters. Econoff was asked about the USG response, and he pointed to the announced decision to allocate \$200 million to alleviate global food shortages, but noted detailed decisions were to be forthcoming. WB's Sellen openly mused about recasting the PCAP so that perhaps one third would be spent to mitigate the social impact of food price rises. Econoff asked if this would mean food subsidies, but Sellen demurred in giving details.

10. (C) Comment. The government's unwillingness/inability to meet the conditions to access the USD 120 million in PCAP money is extremely frustrating to the World Bank and other donors. But those funds may become more attractive to IFI staff seeking ways to address the country's fiscal and macroeconomic problems as well as the politically delicate food security issue. Clearly local IFI staff, if not in Washington as well, are thinking about how to use PCAP funds to address this new and urgent issue. On the larger HIPC question, local IFI staff were not happy to hear renewed mention of shareholder reluctance to consider an early Decision Point, but it seems clear that they will have to address the issue directly with the Boards in the near future. End Comment.  
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